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WORLD CHRONICLE

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GUEST: **ISMAIL SERAGELDIN**
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WORLD BANK

JOURNALISTS: Appan Menon, Inter Press Service
Judy Lessing, Radio New Zealand
Tuyet Nguyen, United Press International

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DEVELOPMENT AND ENVIRONMENT

Ismail Serageldin, World Bank Vice President for Environmentally Sustainable Development, highlights the World Bank philosophy in striking a balance between sustainable development and the environment. The World Bank gives loans to countries on the basis of scientifically prepared environmental assessments on the impact of intended projects on the environment. He claims that World Bank lending policy does not compromise the safety and well being of people. Mr. Serageldin believes that poverty reduction is an important element in safeguarding our environment, and he calls on governments to end discrimination against certain sectors of their societies in general and against women in particular. However, he insists that most environmental problems in developing countries are the result of national industrial policies which proved to be harmful to the environment.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

Over the last few decades, economic growth and development have been the target of all countries around the globe. At the same time, we have witnessed rising concern about the impact of development on our environment. Can development and environment co-exist?

Our guest today has a special interest in this issue. He is Ismail Serageldin, World Bank Vice President for Environmentally Sustainable Development. A national of Egypt, Mr. Serageldin will be interviewed here at United Nations Headquarters in New York by Appen Menon of Inter Press Service, Judy Lessing of Radio New Zealand, and Tuyet Nguyen of United Press International.

Before we talk with Mr. Serageldin, let's look at one aspect of the efforts of two countries in balancing economic growth with the needs of the environment. Our correspondent Steve Whitehouse reports.

NARRATION:

The supermarket seduces the eye of the shopper. It's all in the packaging. But how much of this paper upon cardboard within polythene is essential? Much of what we buy is produced in a way which wastes valuable resources and energy. Average North American households generate a ton of refuse a year, much of it unnecessary.

In Toronto, the city authorities have been making a determined effort to come to grips with the problem of solid waste. Ontario's Blue Box waste recycling programme captured the imagination of the public right from the start. Paper, glass, plastic material and cans are sorted into individual containers and collected free of charge.

The different materials are separated for recycling. This waste was once burned or buried. Now this glass is recycled, although reusing the bottles would be more energy efficient still. It's true that the recycling process is expensive. The sale of the materials only recovers a small proportion of the costs of labour and

equipment. Critics say traditional garbage disposal is 75 percent cheaper in cash terms, although they don't compute the costs to the environment.

With Canada the third highest per capita consumer of paper products in the world, many analysts are convinced that the real answer lies in reducing unnecessary production and consumption. It's argued that recycled plastic pellets are sometimes more expensive than the virgin material. But how much of this plastic production is strictly essential in the first place?

As for recycling, rising oil prices may make the process profitable even in wealthier countries, as will the increasing premium on landfill sites. Beyond cost, there is a broader view. The global rubbish problem is forcing societies to establish environmentally sound practices now, not only for immediate solutions, but out of responsibility to future generations.

In India, as in many of the world's developing countries, waste is a valuable resource. This child is already making his living from the recycling business. Recently though, a new scheme has been operating in the streets of Bangalore. Known as the "Wastewise" project, it's an attempt to organize the young ragpickers into an efficient and lucrative waste collection operation.

Householders are given buckets and asked to separate solid from organic materials. They understand the benefits of the scheme and pay a small fee for regular collections. Former ragpickers receive carts, uniforms and the security of an official status.

The scheme grew out of a genuine concern for the plight of street children. While its founders know that child labour is far from ideal, they say they're addressing the economic realities of these children's lives. Abandoned by their families and society, these children have turned to ragpicking for survival.

The time is fast approaching to learn a lesson from these Wastewise children. Garbage is a resource with environmental and economic benefits.

LITTLEJOHNS: Mr. Serageldin, how did the World Bank get into this question of the environment, and what is it exactly that the Bank is doing in relation to environmental problems?

SERAGELDIN: Well, to start with, the World Bank took a major step forward in 1987 by establishing the Environmental Department at the World Bank. And

subsequently, by 1989, we decided to have an environmental assessment done for every single investment that the World Bank is willing to finance. This is a major step forward, because you have to realize the Bank today has a portfolio of about 1800 projects in about 90 to 100 countries, representing something of about $130 billion and close to $400 billion of total project cost, to which we add about $22 billion every year. So these environmental assessments now become a central part of deciding whether to make an investment or not.

And now finally, after Rio, after we have --

LITTLEJOHNS: After the Earth Summit at Rio de Janeiro.

SERAGELDIN: Yes, after the Earth Summit at Rio de Janeiro, at which the World Bank presented the *World Development Report* called *Development and the Environment*, we reorganized the institution, and I was given the mandate to take on the responsibility to make environmentally sustainable development part and parcel and an integrated part of the World Bank's view on country policy, on sectoral policy, and in investment operations.

LITTLEJOHNS: Now, these environmental assessments, are they done by your people, or are they done by the governments of the countries that are asking for loans?

SERAGELDIN: They are done by the governments of the countries, who are, after all, the owners of the projects. And we, of course, as staff have the responsibility to exercise an independent judgement as to the quality of the assessment that's being proffered in support of the loan. And that's, for example, just to refer to the segment that you made at the beginning, just looking at the financial cost of two alternatives without factoring in the environmental costs is precisely what environmental assessments would be intended to capture to lead us towards supporting that investment which is soundest, both environmentally and economically.

LITTLEJOHNS: Has there been any case so far where the Bank has simply refused to grant a loan because the environmental assessment was inadequate or the results of it showed that they didn't meet your criteria?

SERAGELDIN: Well, yes, although it doesn't quite happen that way. What normally would happen is that as environmental assessments are being formulated -- it's an ongoing process -- preliminary studies begin to show some errors, and sometimes that can lead to a complete redesign of the project. For example, the Pak Mun Dam in

Thailand was shifted from its location so as to protect the rapids and the cataracts; the height of the dam was reduced from 118 to 107, thereby reducing significantly the size of the reservoir behind it; the resiting and the reduction also reduced very significantly the number of people who would be affected in terms of relocation; so that you can see that therefore the project itself is constantly being reshaped by the results of the environmental assessment. And that's usually what tends to happen.

If there are outright objections, they would occur pretty much at the very beginning of the process. Usually there seems to be a *prima facie* case to go forward, and when one looks much more carefully at the environmental issues in an interactive process, the project gets usually reshaped.

MENON: Talking about environmental assessments, recently the Indian Government did not take a World Bank loan on the Narmada Valley project. Is that because of the assessment made by you? You think it is environmentally unsafe?

SERAGELDIN: No, the Narmada case is a different one. It's related really to the question of the resettlement plan. Part of the rules and regulations that the Bank has put in force is that we should not be willing to finance operations that will move people -- involuntary resettlement -- without an adequate resettlement plan to compensate them and guarantee them a minimum level of income at least similar to what they had before. Now, in the case of Narmada, there were delays in getting those plans in place, and ultimately the Bank and the Government of India agreed on a timetable by which these actions would have to be taken. For a variety of reasons, the Indian Government felt that it could not adhere to the timetable, and it therefore decided to withdraw and not seek continued financing support from the World Bank for this particular operation. But it did affirm its intention to continue with the agreed plan and so-called benchmarks.

MENON: So, but you think -- is it environmentally sound, the project?

SERAGELDIN: Well, I know that there have been some questions about the hydrology aspects of it, although I believe from what I know from the technology specialists, our hydrologists and engineers in this area, that it would be a sound dam project. On the other hand, the real controversy was surrounding mostly the resettlement component and the compensation to the oustees.

LESSING: Just to follow that up, are there projects in the past which the World Bank has financed, or helped to finance, which, given the new way of thinking and the new concerns, you would say today you wouldn't have done that?

SERAGELDIN: Oh, yes, I think that's --

LESSING: Can you tell us about some of them?

SERAGELDIN: Well, of course. I mean, I would think that some of the road projects that we financed in forest areas in the '70s, today in the '90s we would not do that. We are much more cognizant, I think, of the full costs to the ecosystem, and also much more cognizant of the fact that the presumed promise of tapping into the forest soils turned out to be an erroneous one. But that is just a matter of changing knowledge and changing appreciation. And as I would imagine no doctor today would claim that he would treat the patient exactly the same way as he would have 20 years ago, we also evolve in our profession and get a better understanding that what we have to give our borrowers is the best available contemporary advice professionally.

LESSING: And so you think that the Bank now, with this sort of rethinking and with all these years of experience, is really in a better position to do just exactly that, give the right kind of advice, pass on the right project?

SERAGELDIN: Well, "right kind of advice" depends on your assessment. I would say to the best of our knowledge today that I would be very surprised if 10 years from now we would sit here and we would say that what we did in 1993 was absolutely correct. I'm sure that knowledge will evolve, and that by 2003 or 2010 we would say, my God, you know, how could we have been so naive in 1993 not to take this or that into account? But that is true of every evolving field. Our responsibility is really to make sure that what we do today is very much the best professional advice that can be given as of our knowledge today.

NGUYEN: The World Bank in the past has taken care of the issues of poverty more than issues concerning the environment. But during the time before the issue of sustainable development had come up, you were charged with being unfriendly to the environment. You didn't do too well to eradicate poverty either. So I don't know if -- what is your role now, to serve the deteriorating environment?

SERAGELDIN: Well, let me first rectify two things. One, I would like to think that the World Bank has done reasonably well in assisting the governments of the world

to reduce poverty. I don't think that I would claim for the Bank the credit for the successes of China and of Indonesia in the massive reduction of poverty that has taken place, nor would I, by that token, take on the blame for the failures in some other countries. On balance, I think that the situation of the world among the developing counties has shown significant improvement, in terms of caloric intake, life expectancy, reductions in infant mortality, et cetera. But much remains to be done. And in our view, this is where both environmental issues and poverty reduction issues come together. This is what the essence of sustainable development is all about.

We have a billion people today who are living on less than a dollar a day; we have a billion people who have no access to clean water and 1.7 billion who have no access to sanitation, with the net result that 2 to 3 million children are dying every day, mostly poor people. This is the kind of environmentalism we're talking about.

We have 700 million, mostly women and children, who are breathing indoor polluted air due to biomass-burning stoves -- that's the equivalent of smoking three packs of cigarettes a day. And we have 1.3 billion breathing air that WHO says is unfit for humans because of urban air pollution. And we have hundreds of millions of farmers who are unable to sustain the fertility of their soils, and to that we're adding a hundred million people a year, mostly in the poorest countries. Dealing with poverty and dealing with the environment go hand in hand in a real notion of sustainable development.

LITTLEJOHNS: The programme is World Chronicle, our guest is Ismail Serageldin, World Bank Vice President for Environmentally Sustainable Development. Tuyet Nguyen, you have another question?

NGUYEN: What is your position now with the Free Trade Agreements, in which corporations have moved their headquarters and plants overseas to poorer countries, where environmental laws are less severe than those in industrialized countries? What is your position to improve the conditions of the poor working for those corporations?

SERAGELDIN: I think we believe absolutely that there are certain standards about which there can be no compromise -- standards of safety, standards that affect human well being, whether they be in terms of contamination in foods, levels of toxicity in pesticides, levels of water pollution, et cetera -- all of these standards have to be respected in every part of the world. There is no question about that. The degree and amount which certain countries may wish to spend on conservation of national parks, et

cetera, may be an area where there is room for variability in standards. But I think that the Free Trade Agreements, to the extent that they are opening up common markets, opening up flows of capital to investment in less developed countries, should be encouraged. We encourage free trade at the World Bank, but we also believe that the kinds of standards in terms of safety of people should not be compromised.

MENON: Moving on to the decision making and governance of the global environment facility, of which I think World Bank is one of the major implementing agencies, why is it that you still follow the old Bretton Woods type system of decision making? That is, the donors have the major say? Shouldn't it be more democratic and equitable?

SERAGELDIN: I think there are two questions here. The GEF, the Global Environmental Facility, has a mechanism whereby the participants get together and will agree on the role, the mechanisms of governance that they want. And the Bank is one of the three agencies -- UNEP and UNDP are the other two -- that are functioning --

LITTLEJOHNS: That's the UN Environment Programme and the UN Development Programme.

SERAGELDIN: That's right, yes. And we have a tripartite relationship where we work together on this. The donors obviously want to have some say as to how the funds they are going to use will be utilized, and of course the other participants have a say also both about policy and about programme content. The GEF in fact does elaborate some new approaches to how this partnership can be given institutional form, and I think it may well herald a model for future action.

But I would like to say a word about democracy and Bretton Woods. You know, the Bretton Woods system has two aspects to it that critics should consider very carefully before they decide that it needs to be changed. Number one, it's a system that has been able to adapt to changing realities very rapidly: today, therefore, Japan is number two, because it is the number two power economically in the world; Germany takes its rightful position. We can accommodate newcomers fairly easily. And that adaptation has taken place in a smooth fashion throughout the period. Secondly, there is a miracle that occurs every Tuesday morning at the World Bank, when the board meets, and countries that are waging a hot war with each other, actually a hot war on the ground, agree not only to sit at the same table, but to vote money to each other. Now, that kind of bridge building in an international fashion is something that is a unique achievement

of the Bretton Woods system, and that should be taken into account in terms of the contribution that it makes to promoting an international understanding within a framework of international institutions.

LITTLEJOHNS: Bretton Woods, of course, means the place where the financial institutions were founded, correct?

SERAGELDIN: Yes, it's a place in New Hampshire where a conference was held in 1944 to think about the organization of the economic and monetary system of the post-World War Two era. And it was there that the IMF and the International Bank for Reconstruction and Development, later known as the World Bank, were created.

LITTLEJOHNS: And the IMF was the International Monetary Fund. Judy Lessing.

LESSING: I'd like to go back to something that I read in both your publications, *The World Development Report* and *The World Bank and the Environment*. In both of these, the World Bank has stressed the great importance of education for women, in particular, and the whole environmental mess that comes onto women's shoulders just because there is a mess, and it stops them from being as productive as they should be. Now, if you accept that, how can you encourage countries who come to you with projects to address this particular question? Because often it isn't socially, politically or culturally really the way governments work in some countries.

SERAGELDIN: You're right. And this is an important question. And I think that the way the Bank does that is through its entire relationship. In other words, the Bank has a relationship with each borrower, with each Member State that borrows from the Bank, that covers pretty much all sectors. We provide support for agriculture, and for roads, and for education, and for health, and for energy, and for industry, and for stand-alone environmental projects and biodiversity projects and the like. And I think what we do is we keep pointing out to governments the tremendous costs to these governments by continuing discrimination against girls. A country like Mali, with seven per cent of the girls of public school age in school, is really shackling its future generations. And the evidence is overwhelming. And I'm happy to say that most governments, when they see the evidence of the tremendous positive correlation between empowering women and educating girls with reductions in infant mortality, improvement in child health, improvement in the status of poorer families and reduction

of poverty, most governments are willing to go along with these kinds of policies. We don't have major debates on this.

LESSING: But are there any success stories that you can point out to the governments which are perhaps a little more resistant: well, look, in this country this is how it works and this is how successful it's been?

SERAGELDIN: Oh, yes, I think that there are a number of such places. I would cite one, for example, in the case of Bangladesh. There is the Grameen Bank, very well known -- it's the bank for the poorest of the poor, landless rural farm women in Bangladesh, one of the poorest countries. And Dr. Mohammed Younis, a good personal friend of mine, really is a visionary man who started out, incidentally just wanting to deal with poverty. He now ended up, over 95 per cent of the recipients of Grameen loans are women, because they are the real actors in terms of social improvement. And they have a repayment rate of 98 per cent, which is far higher than the entrepreneurs and the industrial moguls in most of the less developed countries have achieved with industrial banks. And, in fact, Grameen has an average loan size of less than $50. So it is really microenterprise at the grass roots. The follow-up studies that have been done show that the women manage to improve their well being by at least 35 per cent per year.

NGUYEN: Can you talk a little bit about technology transfers that developing countries have been asking for? Are they going to meet the standards fixed by, let's say, your organization in terms of loans and others dealing with the environment?

SERAGELDIN: Well, I mean, I don't think there is a direct link between what countries can do in terms of technology transfer and meeting standards that are set by the World Bank. First of all, if there is technology to be purchased in a project we've agreed to finance, we would agree to finance the technology purchase as well. And I think that yes, there are a lot of technology needs that need to be developed and improved. Part of that deals with some things that are esoteric like germplast and gene banks for agricultural seeds, which the World Bank, as chairman of the Consultative Group on International Agricultural Research, promotes; some of it has to do with alternative and renewable energy sources. And there I think the research is just not being done in the industrialized countries. On the other hand, let's face it, a very large part of the problems that exist in most less developed countries is the result of some of the policies that are subsidizing industrial energy consumption, subsidizing energy consumption which is environmentally unsound, economically unsound, subsidizing

extraction and forestry logging, which, you know, these are all areas where both economically sound policies and environmentally sound policies can go together.

NGUYEN: Is there such a thing as green consumers, and where are they located now?

SERAGELDIN: Oh, I think, yes, there is a movement, certainly in a number of places, mostly in the north, where consumers are saying that they will be concerned about the sources from which and the manner in which the products that they consume will be produced. And I think that is a reflection of a rising public awareness worldwide about the environmental issue, where everyone of us, in our own respective way, in our own small way, in the manner in which we use and cast away garbage are all making a contribution, and the green consumer movement is one of the movements in that direction.

MENON: Coming back to the GEF, the Global Environment Facility, where is all the money going to come from? Because according to one Secretariat assessment, we need something like $125 billion, and you have only about $900 million at the moment.

SERAGELDIN: Well, I mean, the replenishment of the Global Environmental Facility is going to start in negotiations right now, and we would hope to reach agreement by the end of this year. But you have to recall, the Global Environmental Facility deals only with a very particular kind of problem; it is not intended to deal with all environmental problems on the globe. The Global Environmental Facility is created to deal with those issues where the cost of the action is totally local and the benefits are global. So, for example, why should you ask a particular country to spend a lot of money to protect a biodiversity area when the benefits of the biodiversity are going to be global? So, for that, what we are saying is that the incremental cost has to be covered by a grant donated by the community of the world, which is through the instrument of the Global Environmental Facility. But that does not mean that a lot of action dealing with the environment cannot be funded under national programmes.

LITTLEJOHNS: Mr. Serageldin, that's all the time we have. We'd like a little more to discuss this very important subject, but alas, that's not the case. Think you for joining us on this edition of World Chronicle.

Our guest has been Ismail Serageldin, World Bank Vice President for Environmentally Sustainable Development. He was interviewed here at United Nations

Headquarters in New York by Appan Menon of Inter Press Service, Judy Lessing of Radio New Zealand, and Tuyet Nguyen of United Press International.

I'm Michael Littlejohns. Thank you for joining us. We invite you to be with us for the next edition of World Chronicle.

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